SYNOPSIS OF SIGNIFICANT

INTERNAL REVIEW REPORTS

FY98 - VOLUME I

Army Internal Review

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Office, Assistant Secretary of the Army
(Financial Management and Comptroller)

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Procurement - Other

Moisture Probe. The Command contracted with an architect-engineering firm to procure a moisture probe for work on Government projects. The probe contains a small amount of nuclear material and is therefore heavily regulated. A cost analysis was done to determine if the Government should become certified to handle the probe or contract with a certified firm to maintain it. It was determined that it would be more cost effective to contract out.

Evaluation of Compliance with Current Policies and Procedures for the IMPAC Program. IR found that the District is managing the IMPAC program effectively. There were no improper purchases identified. All personal property purchased with the reviewed IMPAC cards was properly accounted for and bar-coded. Records are being maintained properly. Cardholders are attempting to use the card for all purchases. When a vendor does not accept the card, if possible, another vendor is used. This has resulted in the increase in credit card usage from approximately 61 percent in October 1997 to 82 percent in December 1997. Recommendations are included to strengthen and improve the use of the IMPAC program.

IMPAC Program.

- One IR office found a significant lack of controls over the IMPAC Program. An audit was conducted on 3 Battalions, 3 ASFs and Headquarters. Specific abuses discovered included Split Purchases, furniture and other questionable purchases, non-accountability on property books, improper recordkeeping and incomplete documentation. Separation of duties was weak, along with potential conflicts of interest. Back Orders and partial deliveries were made and accepted. Disputes were seldom initiated for incorrect charges and were not followed up when they were made. Approving officials did not periodically review the process of purchase or the cardholder's records to ensure the integrity of the IMPAC Program.

IR made 14 recommendations with total potential monetary benefits determined by the sample of items selected for physical inspection. A 100% inventory has not been conducted at all units, which reflect purchases made on the IMPAC. Overall monetary benefits resulting in an analysis of excesses on hand was not made at the time of the audit.

- Potential loss of ADP equipment/materials purchased if not recorded in property book immediately would total $ 25,346.98

- Potential loss of other accountable equipment purchased but not recorded in property book totaled $17,431.44

- Value of furniture purchased through local vendors that could have been lateral-transferred at no cost or minimal cost from other sources totaled $13,061.49.

- Another IR office found that the IMPAC program was generally well managed. However, split purchases were occurring. In addition, IMPAC approving officials were not reviewing the billing statements well enough to catch the split purchases when they occurred. Cardholders split purchases to avoid the $2,500 per purchase limit and, in doing so, violated Army regulations and the integrity of the contracting process.

IMPAC Card Operations. The audit keyed in on all purchases of supply, food, engineer, and facility cards by the unit. The detailed review included comparing line item receipts versus end of month billing statements to determine if the purchases were valid or split. The audit also evaluated if large purchases were accounted for and were being carried on the property books if the items purchased were over $300. The audit also evaluated the controls the unit was using to safeguard the card and to ensure that all purchases were made at the best price available.

IMPAC Credit Card Use. Another IR office was requested to conduct a review of compliance with DA guidance regarding proper use of the IMPAC card. During audit scope period, 1 April - 30 September 1997, 146 purchases totaling $11,132.81 were made. The audit found that although requirements for most purchases were properly documented, management controls over budgetary controls, split purchases, report of survey, film development costs and America on Line internet service needed improvement.

Audit of International Merchant Purchase Authorization Cards. One IR office found that (i) Cardholders' IMPAC transaction records weren't on hand or couldn't be located for IMPAC purchases valued at $51,548; (ii) over $120,000 for 369 items of Installation Property wasn't accounted for or posted to unit hand receipts; (iii) IMPAC purchases weren't approved in advance by approving officials; (iv) units/activities didn't obtain prior approval for $52,674 of unauthorized items or services; (v) required IMPAC supporting documents weren't maintained by approving official.

Review Usage of IMPAC Cards by DCSLOG. This audit on the usage of IMPAC cards issued by DCSLOG to units within the Command identified approximately $14,800 of questionable purchases for FY 1997.

Internal Review identified the following concerns:

- Excessive amount of office supplies at one ASMA Shop
- Welding sets and indicators that were split purchases
- Purchases of new floor jacks where there is an excess of floor jacks in the supply system already
- Purchases of copier paper and bulk supplies from private vendors instead of

utilizing the GSA supply catalog system

The IR recommended the DCSLOG needs to ensure their supply personnel are posting items purchased on their property books: the DCSLOG needs to re-iterate to all IMPAC card holders what should be purchased with their IMPAC DCSLOG cards; the DCSLOG should also review IMPAC card purchases when they conduct assistance visits to units.

Contract Administration

Contract Cost. Internal Review was asked to look into a customer allegation that contract price for repair of a heat and power plant was increased significantly due to lack of effective response to clean-up of environmental hazards and non-availability of a full time on-site Quality Assurance Representative (QAR). The review found the allegations were unfounded and not supported by available documentation. The customer initially stated they would do the abatement with their personnel but later found they could not perform the abatement. This led to a one-year suspension of work, which resulted in the contractor performing the abatement. The Command had a full-time dedicated QAR (not necessarily on site full-time). Specialists were hired as-needed due to the age and condition of the plant.

Audit of Loaned or Leased, Property. Another IR office was requested to review loaned or leased property. IR found that overall the Hand Receipt Account Holders knew the location of their property. At the inception of this review, some inventory records were inaccurate and controls over property needed improvement. However the responsible employees corrected the accountability problems during the review.

IR found that two additional areas needed improvement. The "DOD PROPERTY IN THE CUSTODY OF CONTRACTORS (DD Form 1662)" reports were not always accurate. Also, the District owns a dredge that is excess to its needs. The District maintained the dredge for use by the State. Current laws and regulations prohibit the District from continuing to provide this equipment for use by the State. Therefore, management initiated disposal action.

Job Order Contracting (JOC). The IR office reviewed the JOC program to determine whether management controls were in place and working. Five recently completed projects, worth about $400,000, were reviewed. Problems were identified with two of the contracts.

The audit disclosed that the JOC element developed contract requirements for the removal of roofing material without consulting asbestos experts in the Directorate of Public Works. The contract contained requirements for asbestos abatement which required decontamination chambers, air quality testing, and other hazardous material procedures. In reality, the roofing project did not involve hazardous material. The contract cost the installation about $10,000 more than it should have, had the JOC element researched documents given to them prior to the contract formulation.

Also, the JOC inspectors did not verify that all material in the building renovation contract was received. Inspectors did not review the detailed listing of work performed and were not aware that material, worth about $8,000, was not delivered. Moreover, employees from the Directorate of Public Works performed work that was the contractor's responsibility. Inspectors were told that the JOC process did not require detailed monitoring of the work statement. As a result, contractors were not performing on the contracts even though the installation paid for the full contract.

Grass Cutting Contract and Contract Consolidation. During an advisory engagement, IR found that through contract consolidation and decreased cutting a cost avoidance of $691,811, had resulted. Management controls over contract administration were in place and operating. Recommendations were made to consolidate area contracts to achieve contract economies; reducing cutting requirements in zones without high visibility; and, partly eliminating cutting in some zones.

Internal Review of DPW Contract Inspections. Internal Review's audit objective was to determine if contract inspections conducted by DPW ensures contractors' work is in accordance with contract specifications and at an acceptable level. IR found that DPW contract inspections were ensuring that contractors' work was acceptable, but improvements were needed in getting contractors to comply with quality control requirements. Inspectors were not ensuring that construction contractors' quality control systems had been implemented. Inspectors' surveillance documentation was completed but did not always describe what was inspected or the quality of the work inspected. A required management control evaluation had not been conducted. This evaluation is a detailed, systematic, and comprehensive examination of key management controls to determine whether they are in place, being used as intended, and are effective in achieving their purpose.

Contractors Claim for Economic Adjustment. One IR Office performed a quick response audit of a contract's claim for an economic adjustment in August 1995. The initial claim was for $337,683.72. IR reviewed documentation provided by the contractor and could substantiate the claim. The contractor adjusted the claim to $221,173. The government denied the claim in its entirety. As a result the contractor appealed this decision. In October 1997, IR attended, as the only government witness, the mediation hearing, Contractor's Appeal Board. A settlement was reached for $67,261.

Maintenance and Repair of Equipment

Integrated Sustainment Maintenance (ISM). Last year, the Internal Review Office assumed responsibility for assisting the Directorate of Logistics (DOL) and the Directorate of Resource Management (DRM), in implementing the ISM Program. An annual requirement of the program, is to reevaluate the ISM Rate used in the bid process for maintenance related work.

The Review entailed collecting installation wide FY 97 cost data. Data included square footage, personnel strength, and general and administrative expenses. In addition, similar FY 97 cost data was collected for the DOL (included IEW and C-E maintenance operations). Cost Map Questionnaire was completed and returned to Military Professional Resources, Inc. for approval.

Guidance located in the ISM Business Process Manual, in conjunction with the aforementioned cost data, was used in developing the new ISM Rate for FY 98. The new rate for FY 98 was about 15% less than the FY 97 rate. This will enhance the installation's ability to obtain more maintenance work.

Aircraft Maintenance Cost Savings Initiatives. IR determined that historically, there are few training flights scheduled for working days which immediately precede or follow federal holidays. Accordingly, the installation receives little return for the cost associated with scheduling maintenance contractor personnel for duty on these days.

IR recommended that each working day which immediately precedes or follows a federal holiday be designated as a day of no scheduled activity (donsa). The only exception would be when training is significantly behind schedule. Cost avoidance savings associated with each of the 8 donsa days annually is expected to be about $ 200,000.

Comanche Maintenance Training. A detailed review of command's Comanche maintenance training requirements revealed inflated requirements for BASOPS and Logistics support. IR recommended reductions in areas of personnel, dining facilities, ADP equipment, etc. This will result in one-time monetary savings of 6,557,615 and recurring monetary savings of $2,557,964.

Supply Operations - Wholesale

ARNG Reparable Management Program. Another IR office analyzed demand summary listings and revealed the deletion (zeroing of the requisitioning objective/retention level) or reduction of several reparable management program item lines. Many of these lines had Due Ins from Maintenance (DIFM), which when repaired and provided back to the Class IX activities were or would have been reported as excess by the SARSS due to the Retention Levels being at zero. The SARRS automatically reports items that appear as excess to the respective National Inventory Control Point (NICP), who in turn will provide disposition indicating where to ship the various items. Unless corrected, this situation will result a significant loss of Reparable Items as well as labor and parts costs expended to rebuild the items. Based on the information obtained from the Availability Listing as of 5 October 1997, reparable management program items valued at $2,011,371.00 are or will be reported as excess to the NICP.

This situation was identified during the course of this audit and there was no indication that it would not have continued; therefore, the benefits are projected over a six year period as indicated below.

1st Year cost savings	$ 2,011,371.00
1st Year cost savings x 5	$10,056,855.00
Total	$12,068,226.00

Supply Operations - Retail

Property Book. One IR office found that the general condition of property book activities had degenerated from the status noted in prior reviews. This was probably due in large part to the change over of personnel in logistics. However, part of the deficiencies were due to lack of diligence on the part of managers. Management control checklists could not be located and those that were had checked questions as being in compliance when they were not. The check questions are suppose to be answered based on testing of records and controls. Managers appear to be answering the questions based on their overall knowledge or belief rather than actual tests of the systems, data, and records. IR found improvements need to be made in the following areas:

- appointment letter retention and assumption statements
- HRH inventories
- reconciliation between property book and general ledgers
- document flow for retirements and transfers of property
- reports of survey to include registers and individual files and documents
- completion of management control checklists and supporting files to include identification of material weaknesses.

Property Management. Internal Review's overall objective of this review was to evaluate information reliability, effectiveness of operations, and controls used to manage accountable property. The total book value of accountable property exceeded $1B; and was managed using 50 separate property books, four Central Property Book Offices, numerous Property Book Officers (PBO), and an integrated and automated property management system.

IR found controls, policies and procedures used to manage property didn't effectively ensure consistent, current, or complete records. In addition, transactions weren't always adequately monitored, communication problems existed, and oversight responsibilities were questioned. Collectively those situations made property management at the PBO and logistics levels difficult. The most serious consequences, however, were that property records (as they existed at the time) gave commanders a distorted view of actual conditions and created difficulties for unit and organization supply personnel.

Over $15M of monetary savings were identified as a result of differences in on-hand balances between logistics asset visibility and PBO records; excess equipment identified; and items shipped from depots to units that weren't picked up on property records.

Missing or Stolen Property Items. Internal Review at one facility found that procedures were not in place to ensure that missing or stolen property items would be detected; outgoing hand receipt holders were frequently not provided a receipt for property transferred to Property Management; hand receipt inventories were not being performed as required; and inventory documents were not being maintained for a minimum retention period of three years (as required by AR 735-5 and AR 25-400-2). IR also found that leased equipment was not always reported on the Property Book as required by DA PAM 710-2-1; reports of survey were not always prepared within 15 days of the detection of an apparent loss as required by AR 735-5; and copyrighted (commercial) software was not accounted for through property book procedures as required by AR 710-2. The auditors made recommendations to help management account for and control property. Management concurred with all findings and recommendations and stated that corrective actions have been or would be taken.

Supply Transactions. Another IR office found systemic problems preventing supply transactions from being correctly charged to the customer's accounts. Supply and finance master file changes specified in FY 97 year-end instructions were not successfully completed prior to the start of FY 98 processing. Problems with some system master files and Defense Finance and Accounting System (DFAS) data transmission / processing errors were found. Command agreed to establish a working group to identify, monitor and resolve issues that concerned the facility. As a result, DFAS data transmission errors were identified and either corrected or communicated to headquarters or DFAS experts who are working on solutions. To date, miscellaneous obligation documents totaling over $2 million were input to STANFINS to correct the problems.

IG Assistance on Ammunition Consulting/Advisory Service. The amount of residue accounted for by the Ammunition Supply Point (ASP) on the automated system is never inventoried and reconciled to the actual amount on hand. The ASP is storing brass residue for the Defense Reutilization Marketing Office (DRMO) until the items are sold and picked up by the contractor, but the ASP does not know how much of the brass belongs to DRMO. The ASP is not conducting a wall-to-wall inventory of all items quarterly. Instead, they are pre-pulling issues, storing the items in the bunkers, and not counting these items during the physical inventory. Overages and/or shortages could exist and not be disclosed by the inventory. The use of "Temporary Storage" for items issued on a weekly DA Form 581 (Request for Issue and Turn-in of Ammunition) to the CTC

(Combat Training Committee), but not physically removed from the ASP, does not provide for adequate control and accountability of the items. Accountability procedures for ammunition used by the CTC does not provide reasonable assurance that all live munitions and/or residue are recovered. The residue is not weighed when picked up at the ranges nor are the correct weights entered on the DA Form 5515 (Training Ammunition Control Document) if and when the residue is weighed at the ASP.

Accountability of Excess OCIE. This management assessment audit on the accountability of excess OCIE equipment identified approximately $3,220,700 of actual excess OCIE during Internal Review's unannounced visits to 28 units.

Auditors found that some units were having MTOE changes every 12 top 18 months, which caused part of the excess problem. Also, a few units had excess OCIE on hand, but had not reported it to their higher headquarters or to the DCSLOG.

The units would show on their property books the correct authorized quantities, but when the actual counts were made of randomly selected items, the excess would appear.

We recommended that the DCSLOG re-instruct all units to report and turn-in all of their excesses. If feasible, the DCSLOG should rent a 40 foot tractor trailer and visit units announced to recoup excess OCIE.

Accountability of MTOE Equipment. This management assessment audit on the accountability of MTOE equipment identified approximately $6,100,000 of excess MTOE actually on hand. The IR Office visited 23 units throughout the Command to verify what MTOE was actually authorized versus actual on hand quantities. Specifically, IR identified that there is a systemic problem in the management of excess equipment. Units within the command are also failing to respond to the DCSLOG disposition instructions on where to transfer excess property.

IR recommended that DCSLOG reemphasize to all unit commanders the need to ensure that their supply personnel are transferring excess equipment when directed to do so. Also, DCSLOG needs to ensure that Major Subordinate Commands (MSCs) are managing excess equipment within their commands by reporting it to DCSLOG.

Small Arms Accountability. Another IR office performed an audit to determine if units maintained accountability of their small arms if small arms, on hand, are reconciled to the Department of Defense (DOD) Central Registry.

IR found problems with small arms accountability at 65 percent of the units visited. IR made recommendations to commanders to ensure units:

- Perform and document required monthly and quarterly small arms inventories.
- Investigate discrepancies.
- Provide change of ownership documentation as it occurs to the DOD Central Registry.
- Reconcile on-hand small arms to the DOD Central Registry.

Civilian Personnel Management

Temporary Duty Travel. Internal Review found that DD Form 1610s (Travel Request Orders) were not always complete/specific. This was primarily due to misunderstandings on what information was required. Also, incorrect information was provided on the forms. The DD Form 1610 administrative error rate was determined to be 13.8%. The DD 1351-2s (Travel Vouchers), processed by the Travel Section, had a payment error rate of 6.6%. With the appropriate use of management controls, it is projected that Command could achieve a potential $107,166 in cost savings for FY 98 TDY. Reconciliations are not being consistently accomplished between the Travel Section, DRM (Management Accounting Branch) and OPLOC on delinquent advances. The STANFINS accounting system reports, for fiscal year end 1997, reported a total of $566,499 in delinquent travel advances (18.6% of the total TDY funds obligated during fiscal year 1997).

Internal Review found that the Government Sponsored Individual Travel Charge Card Program was under-utilized. Command's overall usage rate of 21% is below Department of Army issue rate of 35%. The travel card is used in order to improve DOD cash management and eliminate the cost to issue, account for, and collect cash advances.

Internal Review also found that available MAC/C-12 flights were under-utilized from 1 June 1997 through 30 September 1997. Thirty-one percent available passenger seats were not utilized during the flights. The vacant seats could be attributed directly to personnel taking commercial flights for TDY. The usage of commercial flights between the Commands increases TDY costs and is an ineffective and inefficient use of government resources. The purchase of commercial tickets was projected to cost $123,750 for FY 1997.

As a result of evaluating the interrelationship between key management controls, TDY, the American Express Card and Operational Support Airlift (the MAC/C-12 usage), IR concluded that generally the overall programs and procedures were meeting their functional mission requirements. IR identified several weaknesses within the management control systems including:

- Management Control Evaluations were not conducted.
- Logbooks were not maintained by activities interviewed.
- Command did not have a SOP on the American Express Card.
- Reconciliations were not being done between DRM and OPLOC on outstanding travel advances.
- There were instances of unauthorized access to the travel system.

Retention. Another IR office conducted an audit to determine why soldiers were leaving the State's Army National Guard (ARNG). In order to accomplish this, IR developed the following specific objectives: (i) develop a profile of soldiers who have left the ARNG; (ii) evaluate soldiers' perception of the ARNG; (iii) determine how absent soldiers are accounted for; (iv) determine how the State ARNG compares with national data on attrition management.

Between 1 October 1995 and 31 July 1997, 53.8% of soldiers discharged were manageable losses. The primary cause identified by soldiers were leadership, lack of fulfillment, training, family, employment conflicts, and lack of promotion opportunities. IR also found that commanders authorized excessive excused absences which contributed to the high number of losses.

Effects of departures: (i) Experienced loss of investment which equates to $161,070,000 (2,478 x $65,000); (ii) incurred additional cost of $65,000 to recruit and training each new soldier needed to replace discharged soldiers; (iii) placed increased workload on recruiters; (iv) reduced readiness.

Weather Cancellations. Internal Review determined that timely notification of weather cancellations will enable the aircraft maintenance contractor launch and recovery crews to stand down. Stand downs which are effected by timely notifications will result in annual cost savings of about $500,000.

Military Personnel Management

Quick Response Audit on Manpower vs. Scheduling - Regional Training Institute (RTI). Internal Review found that the RTI was staffed to meet optimum level requirements placed on them by the Army Programs for Individual Training (ARPRINT) but was overstaffed based on the student load being trained. Management's desire was to determine if the RTI was overstaffed and if so to identify staff that could be reallocated within the state to cover manning shortfalls. Based on the audit, IR determined that twelve personnel could be moved to the troop program since they were underutilized based on the actual training requirements in their current positions.

Alignment of Automated Cargo Data Detachments (ACD DETS). At the request of the Commander, IR conducted a study to review and evaluate command and control arrangements for Automated Cargo Data Detachments (ACD DETS) within tenant activity. The review was made to determine if consolidation of ACD DETS would result in greater consistency and standardization of training and doctrine. The review concluded that consolidation was premature. Instead, the review recommended that (1) ACD DETS be provided with sufficient mission and training guidance as well as equipment to perform their missions; (2) ACD DETS train to a common standard; and (3) ACD DETS are afforded the opportunity to train together at least quarterly. The review included six additional recommendations related to the cargo documentation function and training of soldiers in MOS 88N assigned to the tenant activity. The recommendations were accepted in principle by the tenant Commander.

General's Top Ten Readiness. This audit identified Division performance reports on readiness was approximately 29% below established goals. However, reports did not accurately reflect actual status of unit readiness because of inaccurate data and input errors. Internal Review estimates that by:

- Improving the accuracy of the data and input errors the readiness indicators will improve by approximately 10%.

- Dedicating adequate resources and systematically developing action plans to improve and monitor readiness indicators, the Division can achieve established goals within 2 years.

The General's Top Ten Readiness Indicator Report is currently being revised to incorporate an overall score for Commanders based on variances from established goals and ensuring improvements in readiness indicator performance by units. The revised report will include specific data analysis to ensure accuracy between the Headquarters information and units and to track historical performance for trend information. A process action team was established to ensure improvements are made in the readiness of the Division.

Actions to improve readiness indicator accuracy can improve the ability of management to make decisions on Division capabilities and focus on areas for improvement. Action plans to improve unit readiness will ensure indicators such as strength, duty military occupation specialization qualifications, etc will improve the capability of the Division to perform its operational mission of training and ability to mobilize.

Real and Installed Property

Inventory Management Procedures Real Property Maintenance Activity. Internal Review found that the Real Property Maintenance Activities (RPMAs) were carrying large amounts of excess supplies. These excess inventories were caused, in large part, from the absorption of RPMA inventories from closing installations. Excess supplies also grew because of large expenditures for supplies during 1993 and 1994, while demand and resources were being reduced. As a result, IR found that command was incurring excess holding costs and avoidable management costs to store and account for these excess inventories. IR estimated the total potential benefits of implementing recommendations to be $766,432.00.

DPW Supply Management Task Force. As a member of the DPW Supply Management Task Force, IR suggested action to steer supply management issues; initiate actions to resolve complex supply management issues; and establish an effective supply operation within DPW. IR remains an integral part of this task force. Some of the most current actions resulted in a cost avoidance of $6,405,186.

- $6,136,114 A former TISA building became excess when the Army implemented the tailgate delivery concept. One commander directed that the building be given to a tenant activity for use in its testing mission. The task force presented a management plan for using the building as a Garrison Post Distribution Center. The commander concurred, and DPW supplies and materials were consolidated into the building.

- $157,644 Claimed materials and equipment from the U.S. Army Publications Distribution Center which was closing.

- $93,370 Buildings were vacated as a result of task force initiatives. These buildings are old and can be demolished. As a result, maintenance and repair costs were decreased.

- $18,058 Civilian overtime was reduced by 720 hours via the use of reserve military personnel to accomplish work that would have been performed by civilians.

Construction

Miscellaneous Costs Associated with Construction Contract Financial Closeout. One IR office was requested to: (1) evaluate issuance of MIPRs to Army and Air Force Commands for construction-related services and (2) evaluate delays in the billing and costing of reproduction services acquired from Defense Automated Printing Service. The review was performed as a quick response audit to provide an independent evaluation to management and offer recommendations for improvement. The scope of review was limited to specific aspects of financial closeout, rather than the entire process. IR reviewed procedures and interviewed responsible personnel. IR analyzed the effects of issuing MIPR's for construction-related services from FY 94 to the present.

Financial closeout was delayed due to MIPR's issued to military installations for construction-related services. Of 52 MIPRs issued over the last four fiscal years, 16 of 27 finalized after physical completion also exceeded the six-month closeout goal, and 8 remained open as of 31 December 1997. Those 8 outstanding MIPRs delaying closeout had an aggregate unliquidated balance of $240,697 as of 31 December 1997. The length of delay by fiscal year, number of MIPR's, and amount was: FY93, 1, $70,190; FY94, 3, $106,121; FY95, 1, $28,726; FY96, 2, $20,768; FY97, 1, $14,892. IR concluded personnel had no control over when customer installations submit their final bills; however, IR made recommendations for following-up on long-outstanding MIPRs to try to achieve financial closeout and return surplus funds. IR also recommended issuing MIPRs be avoided in the future; but, when MIPRs are issued, to follow-up at least quarterly to encourage billing, whether or not the contracts are physically completed.

Final costing for reproduction services was not a significant factor in holding up financial closeout. Moreover, new credit-card billing should improve the costing process.

The draft report generated substantive comments. Construction Division concurred and stated the findings and recommendations will be helpful. Programs and Project Management Division, Military/Civil Works Branch, concurred with the recommendations.

Information Technology

Usage of Pirated Software. This audit was conducted to determine if any illegal or pirated software was being utilized on Command owned personal computers. IR identified 21 illegal or pirated programs on 142 computer boxes reviewed. These 21 programs have a cost avoidance value of $2,100,000. This is the possible fines that would have to be paid if illegal software was found on computers that were investigated by outside business concerns.

IR recommended that the DCSIM issue much stricter guidance on the usage of pirated software programs. This is in accordance with directives from the USARC on prohibiting the use of illegal or pirated software on Government Computers. Also, it was recommended that the DCSIM send a memorandum to each of the unit commanders identified with illegal or pirated software programs reemphasizing the importance of not keeping this type of software on their unit's computers and, what the federal copyright law states is the fine for such offenses.

Software Infringement Audit. The IR found that internal control guidelines on copyrighted software were established and in place. However, commands did not maintain adequate safeguards to ensure that illegal and pirated software was not being installed on government computers. Deficiencies discovered during the audit were:

- 59 cases of unauthorized software found on computers within the Command.

- 50 possible copyright violations found on government computers.

There were 4 recommendations made to correct these deficiencies, with overall management concurrence.

Communications

Audit of Cellular Telephones. Internal Review's overall objective was to determine the efficiency and effectiveness of cellular telephone management controls. IR auditors found that current practices and procedures for managing cellular telephones were not sufficient to ensure proper usage, accurate accountability, and minimal costs were incurred in meeting the command's mission. The audit scope involved 867 active cellular telephones assigned to 19 command units and activities as of June 1997. The cost of these cellular telephones totaled approximately $56,000 per month. The auditors found that proper usage of cellular telephones could not be effectively monitored because of the lack of itemized telephone billing statements. For example, ten randomly selected calls were found to be for "unofficial business." Additionally, the audit identified cellular telephones that were incurring static charges because the phones were still activated for use, but were no longer necessary for mission requirements. For example, 14 cellular telephones that were activated for the Gulf War in 1991 were never deactivated. The audit found an additional 564 active cellular telephones that were either not being used to make phone calls, or had minimal usage as the only charges incurred appeared to be the basic, flat rate (or static) monthly charge. These static charges totaled $32,000 for the month of March 1997. The audit identified potential monetary benefits totaling $276,000 annually. The auditors provided management with recommendations to correct deficiencies identified during the audit, and to enhance the efficiency and internal controls over cellular telephones. Management concurred with the report and recommendations and has taken positive actions for enhancing cellular telephone management.

Survey of Cellular Telephones and Pagers. Senior Army leadership had expressed concern over the proliferation and expense incurred through the authorization and use of cellular telephones. Various IR Offices within the command have issued reports on the use of cellular telephones and pagers. Generally, they found no significant misuse but made recommendations to strengthen management controls.
Internal Review's survey objectives were to become familiar with the use of cellular telephones and pagers, to evaluate management controls, and to determine whether significant problem areas needed further review. The results of the survey indicated that,

overall, management of cellular telephones and pagers was adequate. Proliferation of cellular phones was not evident, the command having only 63 cellular telephones and 42 pagers at the time of the survey. Also, monthly expenses did not appear excessive.

Internal Review found two problem areas: (1) the cellular telephone inventory wasn't accurate and (2) policy guidance distributed to personnel wasn't current. IR made a recommendation to the Logistics Management Office to ensure that seven cellular telephones identified during the survey were added to the Property Book. IR made another recommendation that the Information Management Office distribute a copy of appropriate regulations to all managers and supervisors, along with a cover memorandum containing reminders about purchase justification requirements, bar-coding procedures, the manager's responsibility for review of monthly invoices, and a list of authorized and unauthorized uses for cellular telephones.

Management took immediate action to implement the recommendations.

Secure Telephone Unit III Accountability and Controls. Internal Review performed an audit to ensure continuing accountability and control over STU III units and keys during a Command reorganization.

- **STU III Equipment:** Inventory control procedures were not adequate to provide accurate records for STU III telephones. STU IIIs are Controlled Cryptographic Items (CCI) and are managed in accordance with standard logistics procedures of AR 710-2 which includes property book, hand receipts, and periodic physical inventories. In addition, DA Pam 25-390-2 requires a central record be maintained for all CCI to include hand receipt holder, bar code, manufacturer, serial number, user, location, and Crypto Ignition Key (CIK) holder. There currently is no complete central record containing the required information on all STU IIIs at this command. At a cost of $2,500 to $3,500 per unit, Command has an investment of some $825,000 to $1,155,000 in STU III telephones. The lack of centralized controls over STU III equipment could result in loss of equipment and inefficient use of government resources.

- **CIK Controls:** Loaded CIK controls were not adequate. The keys for the units in use were generally locked in a safe or were in a secure area. However, IR observed 11 of the 183 STU IIIs had missing keys. Command Regulation required the loss of any CIK be reported to the COMSEC Custodian within 72 hours and the key rendered inoperable. The regulation also requires appointed individuals to perform a semiannual inventory of the CIKs. There are no semiannual inventories conducted and lost keys are not being reported. This could result in possible compromise of information security.

- **Utilization:** Although not included in the audit objectives, IR noted that many of the STU IIIs are used almost exclusively as a regular, non-secure telephone. Some are used once a year or in some cases are never used in a secure mode. As stated, these units cost between $2,500 and $3,500. The need for secure telephone or facsimile communication has not been adequately justified in many cases. This results in a waste of government resources by requiring a $3,500 STU III when a $100 telephone would be sufficient.

- **Management Controls:** The DCSIM agreed with the recommendations and has established a central accounting record for STU IIIs. Instructions were developed requiring a semiannual inventory of all CIKs, and a re-key of all STU IIIs. In addition, STU IIIs will be exchanged for regular telephones if not used.

Review of Telephone Bills. The IR reviewed the telephone bills that coincided with OCONUS mission. Bills were very high and there was a lack of control over the use of phones from Korea to the United States. The IR recommended initial calling card number be changed and have a tighter control on access to the calling card number. The IMO and IR worked together on providing data to the Chief of Staff. The IMO made further contributions to cut local billing by instituting a password on office phones for long distance calls. If these recommendations are put into effect, the resulting monetary savings are approximately $3,600 a year.

Telephone Management System. A follow-up review at one activity showed that a telephone management system was implemented that improved management control over long distance charges. The telephone management system provided management reports on telephone stations making long distance calls, thereby enabling management review of long distance charges. During the first month of implementation, a $6,000 per month reduction in long distance charges occurred. An annual cost avoidance of $72,000 was estimated.

Civilian Pay and Benefits

Time and Attendance of Plans, Operations, and Management Division (POMD) at the Directorate of Public Works and Logistics (DPWL). Internal review audited Time and Attendance at the Plans, Operations and Management Division (POMD) at the Directorate of Public Works and Logistics (DPWL). The overall objective was to verify whether there were irregularities between the local timekeeping source documents and Defense Finance and Accounting Service (DFAS) - leave reports for assigned personnel. For the most part annual and sick leave taken by POMD personnel and recorded on local manual records matched automated DFAS records. Review of DFAS records showed that the primary timekeeper inputted all the alternate timekeeper's leave time. However, comparing local records to DFAS records auditors could not reconcile data for the alternate timekeeper.

Auditors found indicators that the alternate timekeeper's sick and annual leave had not been recorded into the automated system. There were a total of 152 hours in question during the review period. Results of the audit were discussed with the Criminal Investigation Division (CID). CID plans to review the information to determine if criminal actions occurred.

Program and Budget

Management Controls of Electronic Fund Transfers. Internal Review was asked to evaluate the adequacy of management and system controls over Electronic Fund Transfers (EFTs) as a result of two fraudulent transactions. The fraudulent transactions occurred because of (i) lax management and system controls and (ii) collusion between an employee of the organization and an external perpetrator. These two individuals acted in concert to change bank routing codes to divert funds to persons other than the intended recipient. IR recommended (i) control procedures for physical possession be put in place when data files are transferred; (ii) appointments in writing of those authorized to produce, change or be in possession of the EFT data disk; and (iii) physical security over EFT data at the same level used for cash or cash equivalents. Internal Review also recommended that systems controls be strengthened to ensure that (i) all EFT data disks, to include the first and final iteration, are archived and retained for 30 days after transmission; (ii) data on the transfer disk is encrypted and may be accessed in a READ-ONLY mode; (iii) passwords are used to control logical access to EFT data files; and (iv) data fields in the DOPS system-generated data file are compared with data fields in the transfer file prior to transmission to the financial institution. Management fully concurred with the recommendations and took corrective action.

Controls Over Area of Responsibility Notification Requirements. One IR office reviewed controls over areas of geographical and functional responsibility to determine if sufficient controls were in place to ensure regulatory requirements were fully in compliance.

The review showed that all laboratories were aware of the restrictions placed on acceptance of work only within specific geographical and functional areas. The existing control mechanisms were not sufficient, however, to prevent noncompliance with existing regulatory requirements. IR determined that the existing controls did not prevent acceptance of customer funds prior to Executive Office signature of correspondence transmitting the proposal and/or coordination with the Division/District. Changes in scope to ongoing projects, especially lengthy projects, could also result in noncompliance with the notification requirements. Although notification requirements were routinely met as jobs are proposed, there was limited attention to continuing the notification process as jobs were changed and new sites for work identified.

Internal Review recommended to the Executive Office that consideration be given to the establishment of improved procedures for ensuring the area of responsibility requirements are met. The inclusion of all work in a single database with assigned responsibility to verify that notification requirements have been met before work is approved/funded. Special emphasis is required for work location changes due to changes in scope to the projects. Periodic reviews by representatives of both the Offices of Technical Programs and Plans and IR would ensure work is not accepted without necessary approval and notification actions.

The Laboratory Directors concurred with the findings and recommended actions. Revised procedures, improved management controls; ensured that regulatory guidelines are followed; and presented poaching of work outside assigned geographical and functional boundaries.

Contract Options. Internal Review performed an advisory engagement on contract options to determine if costs could be avoided by using alternative contracting methods for accomplishing the Installation Restoration Program. The Installation Restoration Program addresses impacts on human health and the environment caused by the installation's past operations and disposal practices. The Environmental Conservation and Restoration Division is responsible for managing the Installation Restoration Program. They use various contracting sources such as the Corps of Engineers (COE), Department of Energy, and other government agencies to accomplish mission workload. During the engagement, IR determined that 42 percent of contract workload is awarded annually to the COE. The use of competition for this workload could result in cost avoidances up to \$21 million over the POM years, and it would substantially strengthen Installation Restoration project management controls. IR's rationale for the cost avoidances included: eliminating COE overhead and surcharge costs which are an addition to contractor overhead; providing market place opportunities for competition of IR workload; and, oversight by Garrison Installation Restoration project managers.

Cash Reimbursable Process. An IR office performed a review to determine the effectiveness of the contractor's revenue collecting operation, processing revenue through banking facilities, and subsequently providing a credit on public vouchers. The contractor maintains an account with the local bank to receive deposits of cash and checks collected by revenue producing activities. Each week the bank transfers these funds to the contractor's bank. The contractor then gives a public voucher credit for this amount. IR found that:

- the bank maintained too-large balance of funds in the Cashier's Account. IR found that an average balance of \$375,720 remained in the account after transfer of the funds, thus depriving the command of about \$20,000 annually of interest earned on this amount, and immediate credit of the entire amount on the public voucher. The Control Site Manager took action during IR's review to correct this situation;

- there was a weakness in controls to ensure proper transfer of funds between the local bank and the contractor's bank. An error was discovered by the contractor in the transfer process that had resulted in about \$500,000 not being posted to the contractor's account on time. The site manger agreed to initiate procedures to reconcile the weekly transfer to ensure proper receipt of funds at the contractor's bank, and further, to go back to the beginning of the contract and reconcile all transfers;

- an internal control weakness exists in the process used to credit cash reimbursements on the public vouchers. The contractor maintains an interest bearing money market account as a repository for cash proceeds. When the contractor submits a public voucher, funds are withdrawn from this account for contractor use, and a credit given on the public voucher for that amount. During the two-month period IR reviewed, IR discovered a mistake had been made in this process. Although the contractor later caught and corrected this mistake, it points out that Command had no oversight mechanism to ensure that the government receives proper credit on pubic vouchers. The need for a reconciliation process was discussed with Command RM personnel.

Open Allotment. Internal Review performed an audit to determine if adequate control procedures were in place and operating to prevent an anti-deficiency act (ADA) violation from occurring. IR determined management controls were in place and operating to prevent an ADA violation from occurring. Areas of strength included estimating and forecasting procedures, centrally controlled manpower and related funding policies, monthly comparisons of disbursements to obligation plan, a standard operating procedure (SOP) for managing open allotments, controls to prevent inappropriate disbursements, and high level support for the management control program. Areas needing improvement included certifying validity of obligations at year-end, review of prior year unliquidated obligations, establishing an SOP for developing Inactive Duty For Training budgets, reconciliations of personnel records, approval limits for transferring funds between accounts, monitoring the treasury cash balance report, and better utilizing the budget analyst position.

Execution of Environmental Funds. Internal Review's objective was to evaluate whether environmental funds were used as intended and their use was supported by complete and accurate information.

IR's review at four Major Subordinate Commands (MSCs) concluded better controls are needed over the accountability of environmental funds. IR found:

- Funds programmed for priority projects spent for other lower class projects.
- Funds inappropriately used for asbestos removal although prohibited by the Department of the Army.
- Environmental program requirement submissions understated.
- Environmental funds used to purchase automation equipment without approval.
- Environmental funds inappropriately used for other than environmental purposes.
- One MSC not having adequate documentation to track 40 environmental projects.

This audit resulted in one time monetary benefit of $8,000 and recurring monetary benefits of $17.1 M. In addition, nonmonetary benefits included Improving Management Controls, avoiding violation of law or regulation, and avoiding adverse publicity.

Other Comptroller Functions

Cost Reporting, Joint Task Force Safe Border. One IR office evaluated control of funds at Joint Task Force Safe Board. Most of the $8.4 million in charges made to Ecuador and Peru for incremental costs of the contingency operation from March 1995 through September 1997 were correct. The total of all questioned, inconsistent or missed charges (including but not offsetting both over and under charges) was less than $0.5 million. Most errors in charges clustered about August 1995 when reporting responsibilities for the supporting commands were adjusted. From that period, there remain $56,000 certainly overcharged to Ecuador and Peru and another $2,500 possibly overcharged.

Internal Review found that incremental costs of Basic Allowance Subsistence had not been recognized, captured or charged. This cost could not be reconstructed but IR estimated the lost reimbursement to exceed $100,000.

The report contains nine recommendations to improve procedures for capturing and computing costs and monitoring reimbursements for the remainder of Joint Task Force Safe Border and for future reimbursable contingency operations.

Reimbursable Manpower. The focus of this audit included an evaluation of the procedures and methodology for estimating, adjusting, validating and reporting reimbursable work, and an assessment of the management of the reimbursable program. IR's audit disclosed that controls were not in place to ensure that billings to customers for reimbursable work were accurate. Primarily, this was caused by inadequate practices and procedures used to document, record, and project reimbursable earnings. As a result, there was no assurance that estimated reimbursable earnings would be commensurate with the reimbursable workyears allocated in Command's Resource Guidance. Further,
IR found that local national actual strength levels exceeded TDA authorizations by 41

personnel at a cost of about $1.78 million annually which could be potentially avoided if legal options are explored to eliminate these excess personnel from the payroll.

Audit work was performed primarily at the Directorates of Public Works. Details of what IR found:

- Personnel were not submitting required documentation for input to the IFSM.
- Customers were billed with overstated shop effective rates (SERs) and the rates being used could not be substantiated.
- $2.7 million in labor costs were not correctly distributed to customers. Costs were held in a suspense holding account until year end.
- Source documentation to support billing and IFSM input were discarded.
- Projections of future workload were developed with inaccurate data obtained from the IFSM. The inaccurate workload data is submitted to ODCSRM as a basis to allocate future funding.

Suggested actions to improve management of reimbursable earnings and workyears were well received by Command, who in turn, offered excellent feasible alternatives to enhance reimbursable accounting.

American Express Credit Card Usage. IR's review of the American Express Card program indicated that although personnel had been trained and controls were established and explained in regulatory guidelines, the controls were not being adequately applied. IR found that the overall administration of the program had been split between the Resource Management Office and the Human Resources Office. Although there were not a significant number of payment delinquencies or instances of potential card misuse identified, Human Resources Office was not issuing notification letters to cover the existing problems on time to the employee's supervisors. They were issuing letters directly to the employee with copies going to the supervisor. Notification letters were not issued in all questionable instances during the period under review, and documentation files were not being maintained for actions when they did occur. AMEX reports were not being reviewed thoroughly enough to disclose questionable travel advances. No monthly listing or log of travel for the period existed. Human Resources Office said that problems encountered in administering their part of the AMEX program resulted from a lack of available time due to (1) recent reorganizing to a CPAC and the related reduction of personnel, and (2) the recent administering the VERA and VSIP programs within the organization. IR made recommendations which management accepted. The AMEX program administration was consolidated within the Resource Management Office. Human Resources Office will provide assistance to the supervisors in preparing any necessary disciplinary actions. Resource Management Office will begin issuing timely notification letters to the supervisors in accordance with program guidance, and they will maintain administrative files on all actions taken for historical purposes. The audit has not provided any definitized monetary benefits. However, improved management controls and systems should result.

Task Force Review of Deobligations in Travel. The Chief of Staff tasked the IR office to work with the G4 as a task force to look at procedures for obligating funds for contracts and supplies. Task force teams conducted extensive reviews of financial records, automated accounting systems, and contracts. Systemic weaknesses were identified and recommendations were developed to correct these weaknesses. The Commanding General approved the recommendations.

The primary recommendation was the fielding of tiger teams to provide hands-on training to subcommand resource managers and project personnel on proactive financial management and proper joint reconciliation procedures for contracts, supplies, travel, communications, training, Military Interdepartmental Purchase Requests, and Miscellaneous Obligation Documents. Tiger Teams were formed with personnel from G4, G8, and IR. The IR office was tasked to look at unliquidated travel obligations to determine if they should be liquidated. The review disclosed that improvements had been made since the task force originally looked at travel. However, IR determined that $36,285 in travel obligations should have been deobligated in a more timely manner so that the funds could have been used before year-end.

Review of Applied Overhead Burdens. Another IR office reviewed overhead and technical indirect burdens to determine if the burdens were applied at authorized rates in a consistent manner. IR also evaluated the adequacy of audit trails to determine if project managers can verify the accuracy of burdens applied to their jobs.

Internal Review determined that burdens were, for the most part, applied properly. There were 10 Army projects, however, where overhead burdens were applied in error due to an inadvertent mistake when flagging projects for burden application. IR also noted that project managers have difficulty verifying that burdens applied to their projects are IAW regulatory guidelines. This problem is apparently due to the complexity of the burden process. IR review showed that a large number of personnel have permissions in CEFMS allowing them to change burden rates.

IR recommended that the Director, DRM develop a query to identify projects with improper overhead override indicators, i.e., Army projects charged overhead burdens. The query should be run at least quarterly and problem areas corrected immediately. The Director, DRM, should also issue a problem report to the CEFMS Project Development Office requesting that CEFMS programs be modified to permit read only access to the overhead burden screens. A station regulation explaining how burden charges can be verified should be developed by CEWES-ZT-S.

CEWES-ZT-S did not agree that a station regulation was needed but agreed to develop one. The Director, DRM, concurred with the findings and recommendations. Recommended actions will improve project management capabilities and customer care.

Review of Travel. During a review of the invoice from American Express for airline tickets, IR observed a significant TDY cost savings could be realized by flying in and out of Baltimore rather than using Washington National or Dulles.

Flights to the Washington, D. C. Area During November 1997

	Number	Airfare	Extended
Washington National	39	$532.00	$20,748.00
Dulles	1	$532.00	$ 532.00
Baltimore	4	$152.00	$ 608.00
Total Airfare Cost for All Trips			$21,888.00
Cost if Baltimore Used	44	$152.00	$ 6,688.00
Potential Savings			$15,200.00

Information obtained from the INTERNET, the Maryland Rail Commuter (MARC) systems has trains between Baltimore airport and Washington, DC Union Station every 43 minutes between six AM and six PM, the transmit time averages 36 minutes.

Recommended use of Baltimore airport for future travel unless mission accomplishment would be adversely affected.

Temporary Duty Travel Costs. Another IR office conducted an audit to determined whether (i) temporary duty (TDY) travel orders issued to personnel assigned were prepared in accordance with prescribed guidance, policies, and procedures and (ii) travel settlement vouchers processed by the F&AO were timely and accurate. Using statistical sampling techniques, IR reviewed 213 travel orders. For these 213 travel orders, IR obtained and examined 218 settlement vouchers filed by travelers with entitlements totaling $146,360. IR found improvement was needed in preparing travel orders because personnel responsible for requesting and approving orders did not always follow prescribed guidance. Also, 60 of the 218 vouchers were reviewed had incorrect travel settlements resulting in overpayments of $2,955 and underpayments of $1,522. As a result of the audit, management personnel:

- reemphasized to supervisory personnel initiating and approving TDY travel to ensure that travel orders state a clear and specific purpose and include the dates of TDY events; prepare justifications for variation in itinerary, rental car, excess baggage authorizations; ensure compact car rentals are arranged through Transportation Division; remind travelers to refuel rental vehicles before returning the cars to the rental agency;

- instructed budget personnel to review travel orders for compliance and retain copies of justifications for special authorizations;

- provided instruction to FAO Travel Branch voucher examiners to ensure information on the voucher and substantiating documents support settlement voucher computations and reimbursable claims are approved by authorizing officials before payment;

- revised the prepayment audit checklist to require verification of per diem rates; rental car expenses were for official business; lodging expenses agreed with receipts; and long distance telephone calls were authorized;

- updated signature cards of personnel authorized to approve long distance telephone claims;

- identified and arranged for appropriate training for FAO Travel Branch personnel responsible for computing travel settlements.

Activity Based Costing. Under the leadership of one installation's Chief of Internal Review, the garrison managers in the seven largest directorates completed building and populating their Activity Based Costing models with FY 97 cost and performance data. This was a major undertaking supported by the USAAA, Coopers and Lybrand Accounting Firm, and the US Army Cost and Economic Analysis Center. The Chief of Internal Review briefed the Army Cost Management Steering Committee on this project in November 1997. The Garrison Commander, briefed the committee in February 1998. Support has been provided to Fort Leavenworth and the Defense Logistics Agency in developing ABC systems. Managers are using their models to forecast future costs, output and performance and identify areas for cost improvements.

Material Weakness Validation. Internal Review validated corrective actions taken on material weakness: Department of Defense (DOD) Overdisbursements-Dedicated Procurement Program. IR found corrective actions were taken, within their control, to improve accounting accuracy, research negative unliquidated obligations, and monitor official accounting transactions.

Support Services

U.S. Geological Survey Bills in Dispute. The Directorate of Public Works (DPW) requested the IR office review eight disputed bills, totaling more than $5.1 million, that were submitted by the U.S. Geological Survey (USGS). The review revealed that the DPW did not have sufficient information to evaluate the scope or the cost of the services billed by USGS. The auditors developed a spreadsheet which identified the expenses contained in the eight bills. The explanation provided by the USGS for many of the expenses did not show how the amounts were computed and, in some instances, did not support the need for the services. Based upon work performed by the auditors, the DPW informed the USGS that the bills would only be paid if USGS would agree to a full-scale audit of their records, as authorized in the Memorandum of Agreement between the two organizations. It's highly probable that the installation will receive reimbursements from the USGS for numerous overcharges. IR also recommended that DPW initiate measures to ensure that current and future projects performed by USGS be fully documented.

Quick Response Review of Confinement Facility. IR was asked to provide a financial evaluation of the Fort's Confinement Facility. IR concluded the most cost effective and efficient method of providing Command a uniform system of incarceration and correctional services for prisoners is to close the facility which has already been approved by DA. Military prisoners would have to be confined in a State Correctional Facility or a pre-fab facility. Prisoners would then be transferred to Fort Lewis if further confinement was required. It was reported that Fort Lewis currently has an operational capacity of 205 with a population of 155. Fort Lewis would be more than able to house Command's prison population. This course of action would not preclude offering incarceration and correctional services to other Army installations and military services.

Command currently has a contract with the State Correction Agency to house the Army's female prisoners. The State charges Command $105 per day for each female prisoner housed in their facilities (versus Command's current $227/day costs). The State has offered on more than one occasion to house male military prisoners under different scenarios. The terms and conditions have to be re-negotiated with the state.

If the State could contractually provide confinement facilities for Command's male prisoners, (at a State correctional facility), Department of Army could conceivably save upwards of $311,710 annually, ($227 - $105 = 122 per cost savings per prisoner x 7 x 365 days = $311,710). In addition, Command would not be required to make necessary repairs to the Confinement Facility avoiding $900K to $2M in repair costs. Command could realize an estimated direct cost savings of $1.4M over a five-year period based on Command's FY 97 actual ACCF expenses including utilities, building maintenance, prisoner food and Law Enforcement's Command inflated at 2.7% per year plus $150K/in annual cost avoidance of projected ACCF building improvement requirements.

Food Service - Headcount Procedures. Internal Review found that management controls over headcount procedures were either not in place or were not operating effectively to ensure that headcounts were accurately recorded and controlled. Specifically:

- The contract allows the contractor to perform headcounts in all dining facilities except for one dining facility, thus allowing manipulation of headcount totals which could result in additional meal charges.

- Headcounters were not lining out unused lines on Signature Headcount Sheets, thereby allowing the potential for the contractor to inflate headcounts.

- Troops, signed in on a one-line entry, were not counted by the headcounter.
- Headcounters were not verifying individuals' meal cards.
- Headcounters were being required to make up cash shortages at the conclusion of the meals.

RFO/Orders. Headquarters personnel were not able to get OMAR orders in hand sooner than 30-60 days after an RFO submission even if they were submitted within 20 days of duty. Almost every RFO became an emergency, VOCO RFO because of this delay. The orders clerk was spending 5-6 hours each morning receiving, reviewing, and preparing transmitted files received from subordinate units for transmission and then another 2 hours downloading files from the RSC every afternoon. Consistently, major problems occurred with each download: orders were not received, downloaded files were corrupted infecting the AMLAS and requiring a rebuilding of the database. The Orders Clerk was extremely emotionally and physically stressed, "system problems" were being identified as major culprits for this labor-intensive process, and orders that finally got back to the traveler were incorrect and had to be amended. Travel dollars were tight and the Command was not confident that travel resources were being used efficiently or effectively. The Brigade Executive Officer requested an audit of the RFO/Orders Process.

A review of the RFO process confirmed that it was taking an average of 60 days for an employee to have orders in hand, even when RFOs were submitted 20 days before duty report date. Numerous problems with systems, UA input, budget verification and tracking and leave schedules resulted in significant and consistent order delays. Because of the calling structure set up, and the procedure through which the Orders person uploads unattended transmissions, there were numerous variables and opportunities for input, transmission, review errors by each person involved with each transmission. Time pressures to meet uploads and downloads schedules exacerbated the situation, and numerous short-suspense RFOs, sometimes submitted 1-2 days before travel aggravated the process. Individual review of each record, rather than just the new records accounted for the majority of time spent by the Orders Processor. Validating each RFO was left to the Orders Person as well, making him/her stop each time a "questionable" RFO came across AMLAS. He/She determined what "questionable" was -- there was no accurate validation prior to transmission to him/her.

The IR made 6 major recommendations:

- Eliminate the validation step for the Orders Person.
- Eliminate Manual RFO processing.
- Intensive Training for employees to correctly complete RFO Form.

- Intensive Training for Program/Fund Managers to adequately screen each request for funds availability, validity of travel, format review to ensure information correctness, and advance notice to the Orders Person when a specific event involving multiple people is directed and RFOs will be forthcoming.

- Evaluate the Orders/RFO system at the ENCOM to compare system problems and system configuration.

- Ensure that the RSC assist in solving this problem.

Nonappropriated Fund Activities

Patron Fees for Center-Based Child Care. Internal Review was asked to evaluate the controls over patron fees as a result of the findings made by the U. S. Army Criminal Investigation Command during their crime prevention survey of center-based patron registration and patron fund management. IR found that:

- About 13 percent of the patrons with children enrolled in the full day, part day, or school age program during the period 1 March 1997 through 5 November 1997 did not have a DD Form 2652 (Application for Department of Defense Child Care Fees) on file. DD Form 2652 is used to annotate total family income and to determine the appropriate fee category.

- Some DD Forms 2652 on file did not properly reflect the patron's actual income. This condition existed primarily because the patron either did not prepare an updated DD Form 2652 when a change in base pay occurred or did not include on the DD Form 2652 their quarters allowance, whether received in cash or in-kind.

- Patron payments of child care fees corresponded with the fees established by Child Development Services personnel for those DD Forms 2652 on file.

Management agreed with IR's observations and conclusions and the six recommendations in the final report.

Outdoor Recreation Center. Verification of income from skydiving classes and expenses for instructional fees paid to instructors resulted in missing deposits of $1,571. Control procedures for recording, collecting and depositing of instructional income and reimbursing skydiving instructors' fees were not in place. Also, control over parachutes were questionable. Cash collection and daily income deposit are governed by AR 215-5. DA Form 1992 (Nonappropriated Fund Receipt Voucher) or other sequentially numbered receipt document will be used for receipt of cash when the transaction is not recorded in cash register or on a sales slip. Receiving reports should be submitted by the manager to the NAF instructor. The instructors must submit their invoices to CAD to obtain payment. An Outdoor Recreation employee must be on site to monitor students' registration/payment, to issue parachutes for jump and ensure services are adequately provided by the contractor.

Before July 1997, the Outdoor Recreation did not have any contract with skydiving instructors. Also, the DCA SOP from 1 January 1997 did not contain control procedures for Skydiving Program. As a result, instructors were paid in cash for their skydiving instructions provided before 13 July 1997. Also, DA Form 1992 was not used when instruction income for skydiving class was collected. Based on student data at the Outdoor Recreation, IR estimated income for the skydiving classes during period reviewed. IR compared estimate with actual income collected and deposited. The audit revealed missing deposit of $1,571.

Missing funds were investigated. Payment to the contractor was currently made. An Outdoor Recreation employee will be instructed to be on the skydiving site for issuance of jump parachutes, for monitoring instructor's services and student's payment/registration. Verification of actual versus estimated income from the Skydiving class will be performed by the Outdoor Recreation Manager to ensure all income is deposited.

Consolidation of Supply Functions. IR's objective was to determine the best possible method of procuring, storing and issuing like supplies and equipment for several programs with warehouses at three installations; and determine the appropriate disposition of five vehicles.

IR found that five program managers procured and warehoused similar items and equipment for a $445,000 annual cost. IR also found that there were five vehicles at one location which were used for transporting supplies and trainees.

IR recommended that consolidation of procurement would save an estimated $29,000 annually; and an estimated $8,000 annually in warehouse savings. Consolidation would optimize efficiencies by allowing program managers to execute their assigned duties rather than performing "supply technician" responsibilities. Additionally, annual savings of approximately $30,000 would accrue from closing two locations and maintaining only one supply function administered by a state guard unit. One-time cost for shipment of supplies to a single location would result in an estimated $100,000 annual savings. IR also recommended that three of the five vehicles be redistributed in lieu of leasing vehicles from GSA resulting in estimated savings of $5,000 annually.

Vehicle Study. IR's objective of the review was to provide an overview of the Army Recreation Machine Program vehicle fleet and an audit opinion as to the most cost efficient method for vehicle acquisition. The audit showed: (i) the ARMP vehicle fleet posture by geographical location, make/model, age; (ii) fleet facts to include acquisition cost and residual value, average annual mileage per vehicle by geographical area; (iii) purchase vs. lease comparisons; (iv) ARMP purchase comparisons to Government sources; and, (v) overall recommendations to improve ARMP vehicle fleet management.

IR recommended (i) establishing a vehicle replacement policy, considering regional factors in computing vehicle ownership to maximize resale value; (ii) discontinuing the purchase of used sedans, station wagons and pickups except for large capacity trucks; (iii) establishing a cost accounting and management reporting SOP for the vehicle fleet in accordance with DOD 450.36R, AR 215-1 and AR 58-1 and; (iv) performing cost-benefit analyses for all vehicle acquisitions to ensure the most cost effective source, which may be by purchasing from commercial sources and Government sources including GSA, commercial lease, GSA lease or by any other method less costly to the Government. As a result of the review, the Commander directed a three-year replacement policy and incremental procurement of new vehicles for CONUS and Hawaii using the AAFES model. This is an annual savings of $103,963.

Audit of Bingo Cash Receipts and Sales Accountability. During the period 1 July through 31 October 1997, IR reviewed bingo cash receipts and sales accountability. Although IR established three specific objectives for the audit, the overall audit objective was to determine if policies and procedures for cash receipts were adequate to ensure accountability for all monies. Summarily, IR noted that key documentation required to fully support bingo cash receipts was inadequate and in some instances had not been established.

There was no evidence to support that required regulatory reconciliation of cash receipts , less payoffs and expenses, with the cash register tape to the bingo cards sold was performed correctly because accountability for the bingo cards could not be determined. Accountability for issued bingo cards had not been established including periodic inventory of these cards. During the audit, IR also noted that the cumulative cash register reading for the primary cash register was zeroed.

The Daily Cashier's Record, the cashier's closeout record, was not properly prepared. The cumulative cash register reading was not recorded on any of the forms received as part of the required register accountability. Also, cash register corrections were not approved on the closeout record as required. Some of the closeout forms did not reflect that the cashier either signed for the change fund or signed that the change fund and bingo cash receipts were returned relieving him/her of responsibility for the cash count as recorded.

Standing operating procedures had not been written for bingo operations. The management controls established were not adequate to ensure accountability for any bingo cash receipts. Local internal procedures were needed to prescribe management's requirements and to ensure compliance. Management concurred with the results of the audit and either had taken or, as appropriate, planned corrective actions.

Review of Nonappropriated Fund Benefits and Entitlements. Internal Review performed a review to evaluate selected aspects of NAF benefits and entitlements. Specifically, policies, procedures, and practices concerning Living Quarters Allowances, and the waivers to appointed retired military personnel to NAF positions were reviewed.

The review identified a problem regarding implementation of Department of State, DOD, and DA policy guidance for determining NAF local hire employee eligibility to received Living Quarters Allowance. The review disclosed that documentation was not available to show that several NAF employees met DSSR and DOD criteria for Living Quarters Allowance eligibility. The review also disclosed that DOD policy guidance concerning the hiring of military retirees had not been fully implemented.

Review of Morale, Welfare, and Recreation Cable Television Program. An IR office was asked to determine if (i) adequate procedures and controls had been established to accurately account for CATV Program funds; and (ii) key internal management controls had been implemented.

The review disclosed that improvements were needed in key internal management controls to ensure accountability over CATV Program funds. Of particular concern were procedures and controls over contractor operations which resulted in the expenditure of significant program funds for:

- installed CATV systems that did not meet acceptable quality assurance standards;
- contractor furnished material and services that were not required and not delivered; and
- contractor furnished material did not meet specifications and were not reasonably priced.

Other areas where improved procedures and management control are needed include:

- Controlling the use of substitute contractor furnished material.
- Completion of contractor furnished material inventories.
- Reviewing the propriety of the CATV contractor's verbal agreement to use company poles to install U. S. owned cable.
- Establishing procedures for repairing contractor furnished material and stocking CATV spare parts.

Billing Overcharges. Auditors at one facility reviewed water bills charged to a non-appropriated fund activity and found that an incorrect formula had been used -- resulting in a substantial overcharges. The auditors reported potential monetary benefits of $874,043.

Family Support Groups. Another IR office found that adequate policies, procedures, and management controls did not exist to assist the Family Support Groups (FSGs) in operating more effectively. The management controls needed strengthening. There was no requirement for an annual records review (audit); bank statements were not reconciled; accounting systems were not consistent; funds were overspent creating a debt; net worth was over $1K without a written spending plan; and private organization status had not been applied for. The intent of many regulatory requirements is vague and unclear. The FSGs are incurring expenses that do not support the purpose and missions of the FSGs and are not in the best interests of the Army. FSGs, in units with initial entry training (IET) soldiers, are financing their operations with fund-raisers targeting IET soldiers. They are using their profits to support the permanent party soldiers. Because of the recommendations in this audit, the Internal Review Office was asked to brief all of the FSGs on what they should be doing. As a direct result of the briefings, one FSG discovered a loss of funds and asked the Internal Review Office for assistance.

Internal Review of Bonanza Bingo. Internal Review's audit objective was to determine if controls over bonanza bingo were adequate. IR determined that management did not establish policies and procedures over safeguarding bingo cards, receipts, and disbursements. Written policy and procedures for issuing, reconciling, and verifying cards did not exist. As a result, IR ascertained that fraud had occurred.

Health Care

Affirmative Claims Program. An IR office reviewed the activity's Affirmative Claims Program. The auditors found the program recovered only $133,000 from 170 claims (about $782 per claim) while the average claims office recovered $237,000 from 178 claims (about $1,331 per claim). The auditors found that management controls were not effectively maintained, potential claims were not effectively identified, accounting records were not accurately maintained, and outpatient visits were not billed. A lack of local guidelines, an unfilled position, and processing backlogs caused ineffective program execution. With improved execution of the program, particularly development of local guidelines, improved identification of potential claims, and improved outpatient billings, additional annual potential monetary collections of $511,000 were estimated.

Clinic Visits. IR's review at one facility showed that clinic visits were overstated by 42% during a three month period. The overstatement was primarily caused by clinic personnel counting individual segments of group encounters occurring on one day as separate clinic visits. The auditors found that the Composite Health Care System (CHCS) clinic profile needed correcting to ensure the CHCS captured patient encounters properly. The auditors provided the clinical director with guidelines on properly counting workload, methods for capturing non-count workload, helped the clinic use available automated reporting capabilities in the Composite Health Care System, initiated correction to the clinic profile, and ensured current FY workload data was corrected.

Third Party Collection. Command personnel at one facility requested IR perform a quick analysis for ambulance dispatches which might qualify for third party collection (including dispatches for off-post Mutual Aid and on-post non-DOD beneficiary services). The auditor determined that 13% might qualify for third party collection and determined the facility should continue to pursue third party collection for these types of ambulance services.

Inpatient Treatment Records. IR auditors at one facility determined that Inpatient Treatment Records (ITRs) were not completed in a timely manner, procedures for identifying and managing delinquent records were ineffective, and management controls were not adequate to provide assurance that objectives pertaining to ITRs were achieved. As a result of the audit, management developed written guidance, revised the procedures for processing ITRs, and scheduled personnel for training. The audit helped correct weaknesses that could have resulted in patient care being compromised, or medicolegal issues, or an adverse finding by Joint Commission for Accreditation of Healthcare Organizations.

Customer Satisfaction Survey. The Office of the Assistant Secretary of Defense (Health Affairs) provides a monthly Customer Satisfaction Survey to assess beneficiary satisfaction levels with specific visits to medical treatment facilities and clinics. The survey results provide valid, reliable and timely information on access, quality of care and interpersonal relationships, as well as comparisons to civilian benchmark data. IR at one facility compared the most recent survey with the results of the previous three surveys to evaluate trends and determine what areas need improvement. The auditors charted the trends and tracked customer comments (from phone calls, personal communication, blue cards, and letters) via a database to analyze areas needing improvement. These tools aided the commander in identifying the facility's weak areas and by taking measures to improve satisfaction crucial to survival. As a result, more telephone lines into Central Appointments were established, a triage system was initiated for the emergency room, and a system for seeing walk-in customers was established.

Audit Compliance Services - Follow-up

Cash Controls. IR performed a follow-up to determine if recommendations in prior reports were implemented. The audit found that controls were still lacking. The significance of this report was that IR: (i) simplified explanations for club and oversight managers; (ii) created and provided spreadsheets to analyze change funds; (iii) provided explanation and examples of how managers can use the analysis to make informed decisions; (iv) provided detailed analysis explaining why funds are too high and alleviating club concerns of depleted funds; and (v) provided sample cash control checklists and status reports to demonstrate the verification process. In conjunction with the report, IR also developed and issued a cash advisory report. The cash advisory report outlined common cash control problems. It also outlined, in simple terms, how the cashiers, club managers, and oversight mangers should control assigned funds. Although there were no measurable monetary benefits, IR believes that the risk of losses will be significantly reduced. Also, once implemented, the controls should actually reduce labor intensive administrative burdens and provide managers with tools to make more informed decisions.

Financial Statements (CFO)

CFO - Personal Property. IR performed a follow-up review and found that all but two of the personal property items that did not initially reconcile to the general ledger were now reconciled. In the process of the review, IR discovered a coding problem that would have presented the proper conversion of some property items from COEMIS to CEFMS.

Plant Replacement and Improvement Program. An IR office reviewed plant record cards and asset documentation records. Plant records were not current and plant utilization rates could not be evaluated. Management agreed with all recommendations.

Other

Review of Contractor Purchase of Government Furnished Property (GFP). Another IR was tasked to review contractor purchase of GFP. Objectives of the audit were to (i) determine if GFP purchased by O&M Contractors was in compliance with regulatory guidance; (ii) determine if the finding of GFP which was not bar-coded to a single incident (Carters Lake), or if there is a systemic problem of accounting of GFP in the District; (iii) determine status of SAMDR 735-1-1.

The audit verified that GFP purchased by contractors is being performed IAW SASMDR 735-1-1, and the provisions of the O&M contract. The District is assured that what happened at Carters Lake was an isolated incident. Operations, Contracting and Logistics learned from this event and it will not reoccur. Operations and Contracting agree that allowing the Contractor to purchase GFP is not in the best interest of taxpayers. IR determined that DRAFT SAMDR 735-1-1 (which shifted responsibility of the accountability of GFP from the Government to the Contractor), was only tested at Carters Lake. Its use has been rescinded and all GFP is now accounted for IAW the "old" SAMDR 735-1-1.

Hazardous Material Management and Minimization. As the HAZMART Project Officer an internal review auditor, developed and implemented the first fully centralized, single-point control program for minimizing the amount of hazardous materials used on the installation. The project has been recognized by the Army as a prototype operation that will work to conserve the environment while saving dollars.

The HAZMART started its second year of the two-year implementation plan 1 October 1997. The role of the Project Officer includes developing the Plan of Action and Milestone Schedule for completing all actions to bring all activities on the installation into the HAZMART as customers by the end of FY 98. The HAZMART is on schedule.

Statement of Work has been developed for the follow-on contract solicitation for operations, beginning 1 October 1998. Prepared a memorandum requiring all activities on the installation to go through the HAZMART. This memorandum was approved by the Installation Commanding General and implemented as Installation Policy.

Recognized as the HAZMART project Manager to track and report Activity Costs monthly as part of the Garrison's Activity Based Costing (ABC) project.

Provided tours and briefings at the request of visitors to the installation such as Congressmen and other Commanders, as well as at the request of Navy, Air Force, and other Army installation personnel interested in starting a program.

Recycling Program. Internal Review performed an audit of the Post Recycling Program that resulted in the collection of monies due from the responsible DRMO. In addition, IR determined significant cost savings and avoidances which resulted in the program being run as a revenue generating function.